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AIR SUBCOMMITTEE OF THE ENVIRONMENTAL QUALITY SERVICE COUNCIL

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Authority: P.L. 248-1996 (SEA 138); EQSC
Minutes, June 29, 1999

MEETING MINUTES¹

Meeting Date: August 24, 1999
Meeting Time: 1:00 P.M.
Meeting Place: Governmental Center South, 302 W.
Washington St., Training Center Room 1
Meeting City: Indianapolis, Indiana
Meeting Number: 2

Members Present: Sen. Kent Adams, Chairperson; Sen. Glenn Howard; Marvin Gobles; Tom Anderson; Travis Worl; Cheryl Devol-Glowinski; Andy Knott; Stan Pinegar; Rick Martin; Tom Easterly.

Members Absent: Rep. Richard Mangus; Rep. Dale Sturtz; David Rector; Gary Redding; Dick Van Frank; John Fekete; John Stafford; Darryl Dasher; Tony Sullivan; Shirley Welker; Bernie Paul; Grant Smith; Mike Sandefur; Bryan Tabler.

Senator Kent Adams, the Chairperson of the Subcommittee, called the meeting to order shortly after 1:00 p.m. He explained that the meeting would feature a work group discussion among all present about the subject raised by House Enrolled Act 1561: the possibility of establishing an air emissions reduction credit program. Senator Adams expressed the hope that the discussion would produce

¹ Exhibits and other materials referenced in these minutes can be inspected and copied in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for copies may be mailed to the Legislative Information Center, Legislative Services Agency, 200 West Washington Street, Indianapolis, IN 46204-2789. A fee of \$0.15 per page and mailing costs will be charged for copies. These minutes are also available on the Internet at the General Assembly homepage. The URL address of the General Assembly homepage is <http://www.ai.org/legislative/>. No fee is charged for viewing, downloading, or printing minutes from the Internet.

tangible results, which would then be reported at the Air Subcommittee meeting on September 9.

Senator Adams announced that IDEM Assistant Commissioner Janet McCabe, the head of the Office of Air Management, would moderate the group discussion.

Ms. McCabe initiated the discussion by reminding the participants of the mandate given to the Environmental Quality Service Council (EQSC) by House Enrolled Act 1561 regarding an air emissions credit program:

SECTION 1. [EFFECTIVE UPON PASSAGE] (a) The environmental quality service council shall conduct a study to advise the department of environmental management concerning the feasibility of establishing an air emissions reduction credit program that provides economic incentives to achieve air quality goals and objectives in Indiana.

(b) The environmental quality service council shall consider the following items in its study:

(1) Cost effective ways to achieve air emissions reductions.

(2) The economic and environmental benefits of an air emissions reduction credit program that would allow credits to be earned, banked, and traded on an exchange.

(3) The benefits of an air emissions reduction credit trading program in:

(A) areas classified as nonattainment for ozone;

(B) areas classified as transitional for ozone attainment; and

(C) areas unclassified under the federal Clean Air Act (42 U.S.C. 7401 et seq.).

(4) The establishment of a formal process for the identification of emission offsets for use in nonattainment areas.

(5) Existing federal and state air emissions reduction credit programs.

(6) Use of set-asides to achieve net reduction of air emissions and maximum environmental benefit.

(7) The establishment of a central registry or clearinghouse where air emissions reduction credit program information may be published.

(8) Existing federal regulations that might affect a state operated air emissions reduction credit program.

(9) Guidelines determining use and value of an earned air emissions reduction credit.

(10) Locally transported pollutants and long range transported pollutants.

(11) The benefits of interpollutant trading.

(12) The duration of an earned air emissions reduction credit.

(13) Any other information the environmental quality service council considers appropriate.

(c) Before January 1, 2000, the environmental quality service council shall make a recommendation to the legislative council that does at least one (1) of the following:

(1) Suggests legislation that would require the air pollution control board to adopt rules to establish an air emissions reduction credit program before July 1, 2001.

(2) Advises the department of environmental management to adopt guidance or nonrule policy documents before July 1, 2001, to implement air emissions reduction credit trading or other economic incentives to meet air quality goals and objectives.

(3) Recommends that the environmental quality service council or a workgroup established by the environmental quality service council should continue to study the feasibility of establishing an air emissions reduction credit program in Indiana.

Ms. McCabe emphasized the EQSC's deadline of January 1, 2000. She commented that there are several types of air emissions reduction credit programs that could be used as the model for an Indiana program, and that there are many different objectives that an Indiana program could be designed to achieve.

Ms. McCabe then invited comments from others attending the meeting. A lengthy discussion ensued. The points made by participants in the discussion included the following:

- Andy Knott: Each air emissions reduction credit program must have a specific goal with respect

to the improvement of air quality.

- Tom Easterly: In a non-attainment area, you need offsets in order to build a new facility. In eastern states with air emissions reduction credit programs, you can obtain your offsets through credits. These credits can be traded, sold, or “banked” and used later. The opportunity to bank credits gives a manufacturer an incentive to make improvements in air emissions sooner rather than later. In Indiana, due to the absence of a program allowing the banking of credits, a manufacturer has an incentive to delay making improvements in air emissions until it is ready to build its new facility.
- Lisa Smith expressed interest in an air emissions reduction credit program that would grant a firm credits for improvements in air emissions from mobile sources and allow the firm to apply these credits against emissions from stationary sources.

Senator Howard asked whether it would be necessary to enact legislation in order to establish an air emissions reduction credit program in Indiana, or whether a program could be established by IDEM through the adoption of administrative rules. Janet McCabe responded that an Indiana program could probably be established by IDEM solely through the adoption of administrative rules.

Cheryl DeVol-Glowinski, the Director of Energy Policy of the Indiana Department of Commerce, distributed copies of a number of printed materials concerning a potential “Energy Efficiency and Renewable Energy Set-Aside.”² Other printed materials pertaining to air emissions reduction credit programs were distributed by other participants in the discussion.

Terry Hagan warned that an Indiana program should not be too complex. Tim Method suggested that proponents of an Indiana program should pattern their program after successful programs in other states; should establish clear objectives and well-defined parameters; and should limit their program to one or two pollutants.

Ms. McCabe offered the following outline for further discussion of an Indiana program:

- (1) Objectives.
- (2) Types of trading/banking
- (3) Issues, concerns, (such as whether to allow inter-pollutant trading) etc.

Cheryl DeVol-Glowinski suggested an additional point for the outline: (4) Participants.

Janet McCabe offered, when the discussion resumes, to provide information on various types of air emissions reduction credit programs, including: the Illinois “cap and trade” program for volatile organic materials; the “Emission Averaging and Emission Reduction Credit Trading Program” of Michigan; and possibly the air emissions banking program of Louisville, Kentucky. Stan Pinegar proposed inviting a particular consultant to participate in the group discussion when it resumes.

The participants decided to resume their group discussion on **Wednesday, September 22 from 1:00 to 3:00 p.m.**

The meeting was adjourned at approximately 2:45 p.m.

² An Energy Efficiency and Renewable Energy Set-Aside is a pool of allowances that comes from within a state’s nitrogen oxide budget and that is used to award the implementation of energy efficiency and renewable energy projects in the state.